

United States Senate

WASHINGTON, DC 20510

June 26, 2003

The Honorable Donald L. Evans
Secretary of Commerce
U.S. Department of Commerce
14th St. and Constitution Ave., NW
Washington, DC 20230

Dear Secretary Evans:

We commend the Administration for the substantial progress made toward addressing the problem of unfairly traded Canadian lumber. In particular, we commend Under Secretary Aldonas' leadership in an effort to resolve this dispute.

Unfortunately, the antidumping and countervailing duty orders issued by the Department have not solved the problem nor stemmed the flood of unfairly traded Canadian lumber being dumped on the U.S. market. Unfairly traded Canadian lumber continues to decimate our forest economy, eliminating thousands of forestry jobs, undermining the value of timberland to millions of private owners, and destroying the vitality of rural communities.

Congress enacted the unfair trade laws to deter just such practices and the devastating effect they can have on American industry. In our view, the Department must reexamine the current antidumping and countervailing duties to ensure that they accomplish their intended purpose - ending unfair trade and eliminating the resulting injury to the U.S. industry.

The Department could take several steps, consistent with current law, toward that end. First, the Department should reexamine whether countervailing duties should be included as costs in recalculating antidumping margins. Canadian lumber prices do not currently appear to reflect the true cost of selling in the United States, including countervailing duties intended to place Canadian producers on a level playing field. By including countervailing duties as costs in the antidumping margins, the Department would ensure that Canadian producers do bear the true cost of their unfair trade practices. Including countervailing duties as costs in recalculating the existing dumping margins would, moreover, be entirely consistent with Canadian and EU practice under their antidumping laws.

Second, the Department should consider whether the Canadian government or the individual provinces are reimbursing Canadian producers for any portion of the countervailing duties imposed on Canadian lumber by further lowering timber prices. Obviously, to the extent that the Canadian government or one of the provinces are offsetting the duties by further reductions in stumpage, the Canadian lumber producers will continue to engage in the same unfair trade practices that have caused such friction between the United States and Canada over the last 20 years.

Third, the Department should determine whether the relationships between Canadian producers and their U.S. affiliates, allow for the absorption of any portion of the dumping duties in a way that would undercut their value as a deterrent to the massive dumping in which Canadian producers are currently engaged. The Department should determine whether the margins should be adjusted to ensure that the Canadian producers do not escape the full cost of the remedial measures Congress intended that the Department impose.

In our view, the Department should initiate a review of these issues. Prompt action by the Department would encourage the Canadian industry and the Canadian government to engage in serious negotiations on an interim agreement, one intended to offset fully the effects of their unfair trade practices while the individual provinces undertake the reforms necessary to end this two-decade old dispute. The prospect of facing higher margins that would fully offset the unfair trade and injurious effects of Canadian practices would present the Canadian provinces and mills with a clear choice - either reach a reasonable settlement or stop the unfair trade.

We would, as a consequence, strongly urge the Administration to announce its intent to review the existing margins to ensure that they fully offset the Canadian unfair trade practices as Congress intended. The Department has already found that Canadian producers have engaged in unfair trade practices that have devastated the U.S. industry. In addition, a second World Trade Organization dispute settlement panel has confirmed that the Canadian provinces are conferring an actionable subsidy on their lumber producers. Unfortunately, the panel reportedly concluded that the Department measured the subsidies improperly and that Canadian timber prices must be used to measure the subsidy even though the Canadian government controls the internal timber market. This makes no sense and is certainly not what Congress intended. The Administration should appeal. In any case, the Department must ensure that Canadian producers bear a full subsidy offset.

As we have indicated in our previous correspondence with you, we are deeply committed to ensuring that the trade laws are, consistent with Congress' intent, adequately enforced on behalf of our constituents. We appreciate the leadership you have shown in leveling the playing field for U.S. industry and in pursuing the elimination of the underlying unfair trade practices that have led to the current dispute. We look forward to working with you toward those goals.

Sincerely,



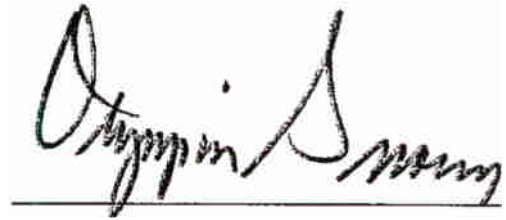
Senator Larry Craig



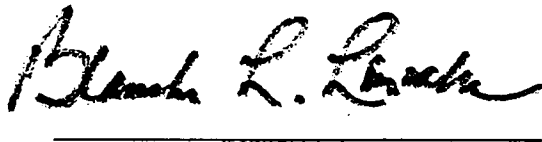
Senator Max Baucus

A handwritten signature in black ink that reads "Trent Lott". The signature is fluid and cursive, with the first name "Trent" and last name "Lott" clearly distinguishable. It is written over a horizontal line.

Senator Trent Lott

A handwritten signature in black ink that reads "Olympia Snowe". The signature is cursive and elegant, with the first name "Olympia" and last name "Snowe" clearly distinguishable. It is written over a horizontal line.

Senator Olympia Snowe

A handwritten signature in black ink that reads "Blanche L. Lincoln". The signature is cursive and somewhat stylized, with the first name "Blanche" and last name "Lincoln" clearly distinguishable. It is written over a horizontal line.

Senator Blanche Lincoln

A handwritten signature in black ink that reads "Thad Cochran". The signature is cursive and bold, with the first name "Thad" and last name "Cochran" clearly distinguishable. It is written over a horizontal line.

Senator Thad Cochran

A handwritten signature in black ink that reads "Gordon Smith". The signature is cursive and somewhat stylized, with the first name "Gordon" and last name "Smith" clearly distinguishable. It is written over a horizontal line.

Senator Gordon Smith